

10 JUN 1963

Honorable Donald W. Alexander Maritime Administrator Washington 25, D. C.

Dear Mr. Alexander:

We understand that you are making a broad-scale inquiry in connection with the award of the operating contract for the Savannah to States Marine. I assume this is in connection with the Drew Pearson article of 5 June 1963, stating that this involved Mr. John A. McCone in a conflict-of-interest situation.

Since this columnist has repeatedly made such allegations in print and may do so again. I am concerned that there does not appear to be adequate information in the files of your administration to identify the factual errors in Pearson's story and the basic falsity of his allegations and innuendoes. This Agency, of course, had no part whatsoever in the Savannah project or any of the transactions related to it, and my concern arises solely because the matter was so thoroughly explored at the time of Mr. McCone's confirmation as Director of Central Intelligence. There is, therefore, an official record of the testimony taken under oath in connection with this matter. For your information, I am sending a copy of these hearings to you and refer specifically to testimony concerning the Savannah contract on pages 43, 44, 54, 55, and 65 through 68.

Relating this testimony to the Pearson column, I note that Pearson says, "the operating contract /for the Savannah/ went to a company in which McCone and his family owned a major interest." The record shows that neither Mr. McCone nor any of his family own stock or any other interest in States Marine or its affiliate, Isthmian Lines, nor have they ever done so. Again Pearson says the Savannah contract was given "to the company dominated by GOP backer John McCone, the States Marine Lines." As noted before, Mr. McCone had no direct interest in States Marine and held no position in the company or on its board and in no way controlled or dominated States Marine. Again Pearson says, "States Marine

the line in which John McCone has a working partnership." This implies a direct relationship between McCone and States Marine. The facts are that Mr. Henry Mercer, the head of States Marine, through States Marine and other companies had agreements with companies owned wholly or largely by Mr. McCone for joint operation of certain ships. This was the sole relationship between Mr. McCone and States Marine.

Pearson mays, "John McCone, then chairman of the Atomic Energy Commission," implying that he was head of the Atomic Energy Commission when the contract was let. The facts are set forth in Mr. McCone's testimony on page 43 of the hearings, "It /the contract/ was awarded on the 6th of June of 1958. I took office the 9th or 10th of July, some 6 weeks later." The contract was negotiated not by the Atomic Energy Commission but by the Department of Commerce, and the full extent of the Atomic Energy Commission's participation was to have representation on a committee that reviewed the matter. The Atomic Energy Commission's action was to register no objection to the award, and this was prior to Mr. McCone's taking office. Further, in answer to a direct question, Mr. McCone testified at page 43, "I at no time discussed the assignment of that contract with anyone in Government."

It appears to me that a reading of the confirmation hearings before the Committee on Armed Services, United States Senate, shows that this matter was thoroughly investigated and the facts were made of record and that the committee was completely satisfied that no conflict of interest existed. I feel this record should be sufficient to establish a complete refutation of both the erroneous facts and false allegations repeatedly published by the columnist in question in the face of the public record available to him.

If you have any questions in connection with this matter, I would be glad to be of assistance.

Sincerely,

S/ LAWIGING R. HOUSTON
Lawrence R. Houston
General Counsel

Enclosure

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